

**INVESTMENT FUND  
“CBL Russian Equity Fund”**

**HALF-YEAR REPORT 2016 (UNAUDITED)**  
(at June 30th, 2016)

**PREPARED IN ACCORDANCE WITH  
FCMC “NORMATIVE REGULATIONS ON PREPARATION OF ANNUAL REPORTS AND CONSOLIDATED ANNUAL  
REPORTS OF INVESTMENT FUND AND OPEN ALTERNATIVE INVESTMENT FUND”  
AND INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION**

Translation from Latvian original\*

**Riga, 2016**

\*This version of financial statements is a translation from the original, which was prepared in Latvian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

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**IF “CBL Russian Equity Fund”  
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General information on the investment fund**

|  |   |
|--|---|
| Name of the fund:  | “CBL Russian Equity Fund”   |
| Type of fund:  | Investment fund   |
| Registration date:   | 5 March 2004  |
| Fund number:   | F41-06.03.04.098/41   |
| Name of the investment management company:                                     | “CBL Asset Management” IPAS   |
| Registered office:   | Republikas laukums 2a, Riga, LV-1010, Latvia  |
| Registration number:   | 40003577500   |
| License number:  | 06.03.07.098/367  |
| Name of the custodian bank:  | “Citadele banka”, AS  |
| Registered office:   | Republikas laukums 2a, Riga, LV-1010, Latvia  |
| Registration number:   | 40103303559   |
| Investment management company’s Board and Council members and their positions: | <p><i>Council of the investment management company:</i><br/> Chairperson of the Council - Juris Jākobsons - appointed on 30.09.2010<br/> Deputy Chairperson of the Council – Vladimirs Ivanovs – appointed on 06.11.2012<br/> Council Member – Aldis Paegle – appointed on 04.07.2014<br/> Council Member – Peter Meier – appointed on 30.09.2015</p> <p><i>Board of the investment management company:</i><br/> Chairperson of the Board - Uldis Upenieks – appointed on 01.11.2012<br/> Board Member - Zigurds Vaikulis – appointed on 30.03.2007<br/> Board Member - Andris Kotāns – appointed on 11.05.2015<br/> Board Member - Lolita Sičeva – appointed on 11.05.2015</p> |
| Rights and responsibilities related to management of Investment fund           | Council and Board members shall perform all duties specified in Latvian laws and Investment Management Company’s Statutes.  |
| Fund managers (Members of Investment Committee):                               | Kristiāna Janvare – appointed on 15.08.2008<br>Andris Kotāns – appointed on 26.01.2011<br>Elchin Jafarov – appointed on 25.09.2011<br>Igor Lahtadirs – appointed on 21.11.2013  |
| Rights and responsibilities related to Fund management                         | Fund managers shall perform all duties specified in Latvian laws, Investment Management Company’s Statutes and Fund prospectus.   |
| Auditor:   | “KPMG Baltics” SIA<br>Vesetas iela 7<br>Riga, LV-1013<br>Licence No. 55<br>Latvia   |

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The manager of investment fund CBL Russian Equity Fund (hereinafter - the Fund) is investment management company CBL Asset Management, legal address Republikas laukums 2a, Riga, LV-1010 (hereinafter - the Company). The Company was established on 11 January 2002. Company's Registration number is 40003577500. The number of Company's operating licence is 06.03.07.098/367.

The Fund aims to achieve long-term capital appreciation by investing mainly in the shares of companies which are registered or carry out principal activities in the Russian Federation. The Fund's earnings are made of capital gains and dividends. The base currency of the Fund is US dollar.

Russian equities have delivered strong performance during the reporting period, as RTS index surged by impressive 22.9%, thereby exhibiting one of the strongest returns among the Emerging Markets space, which on aggregate gained 5.0% (MSCI EM index). Such strong results primarily reflect substantial recovery of the commodity markets, and especially oil, which skyrocketed by more than 30% during the period. In addition, improvement in global risk appetite on the back of more accommodative monetary policies by the world's key central banks contributed to the results. Finally, we witnessed improvement in sentiment towards the Russian equity market thanks to stabilization of geopolitical risks, as well as signs that the worst for the country's economy could be over.

Russian equities delivered rather volatile start of the year, as the sentiment around the Emerging markets space was undermined by concerns around slowing global economic growth and prospects of the US Federal Reserve monetary policy tightening, which intensified commodity rout and triggered Chinese equity market freefall. Nevertheless, Russian equity market started its ascend from the second part of February, when negotiations between Russia and Saudi Arabia on output caps resulted in oil price posting its first positive monthly return since October 2015. This supportive trend was also prolonged to March, as softer dollar re-ignited interest in the emerging markets assets, and the decline in the US rigs count reinforced beliefs of the oil market slowly gravitating towards balance. In addition, the decision of the president Putin to start withdrawing Russian military from Syria was welcomed by investors. Commodity markets gained additional momentum in April, when dovish rhetoric from the US Federal Reserve resulted in further dollar exchange rate slippage, while Chinese macro data showed obvious signs of recovery thanks to monetary and fiscal stimulus. Oil price surged even despite lack of cooperation among the energy producing nations, as supply disruptions in such countries as Kuwait and Nigeria contributed to the market's tightening. Unfortunately, in May the investors had to sharply re-price the Fed's hiking expectations in the aftermath of the surprisingly hawkish FOMC minutes. That triggered a correction of risk assets, bringing impressive three month rally of the Russian equity market to a halt. In addition, investors were disappointed by the failure of the Russian government's initiative to push a 50% dividend payout based on IFRS net income from the state companies, as Gazprom successfully lobbied much more modest dividend payments. Finally, in June global headlines were dominated by the Britain's referendum on the EU membership. However, the turbulence caused by the unexpected 'Leave' camp winning the vote has been surprisingly short-lived, as investors started to price-in a prolonged period of softer monetary policy from the world's key Central Banks, which provided substantial support to commodity markets. Russian equities also posted resilient results during the month against the backdrop of stronger rouble and Brent oil holding near \$50 per barrel mark. Also, for the first times in eleven months, in June the Central Bank of Russia cut its policy rate thanks to stabilization of the inflation rate, which according to the Federal State Statistics Service reached 7.6% y/y.

In June, we substantially increased cash position to 14.65% of the Fund's net asset value due to concerns that the 'Brexit'-induced turbulence could result in substantial market correction. Hence, the share of the majority of sectors as a percentage of the Fund's net asset value has decreased in comparison to the beginning of the reporting period. The only exceptions were Consumer Staples and Technology, which weight has modestly increased, as the profit taking in these two sectors has been less pronounced. In the end of the reporting period, Energy (26.7%), Materials (19.8%), and Consumer Staples (11.7%) were the largest sectors within the Fund.

During the reporting period, Energy, Materials, and Financials contributed the most to the Fund's performance. On the other hand, Consumer Staples and Utilities contributed negatively mostly due to stock specific-reasons. For example, the Russian largest retailer Magnit disappointed with its operational performance; while utility name E.On Russia was hit by the accident reducing its generating capacity. The contribution of other sectors has been relatively small.

Looking forward to the second half of 2016, the manager expects the performance of Russian equities to be driven mainly by external factors, such as oil price dynamics as well as demand for risk assets, and emerging

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market stocks in particular. As for the latter, investors should acknowledge that the combination of global political uncertainty, unimpressive global growth, rich valuations, as well as possible overreliance on the key monetary authorities could create preconditions for substantial global market correction, which Russian equities, unfortunately, are not immune to. On the domestic front, although the data points to gradual stabilization of the economy, it is evident that the recovery of domestic demand takes place at a slightly slower pace than had been expected. In addition, we anticipate that the upcoming elections to the State Duma this fall can possibly elevate domestic political risks in the medium term.

During the first half of 2016, the Fund's net assets increased by 11.93% or by EUR 449,247 and at the end of the year amounted to EUR 4,215,094. Gross assets on 30.06.2016 reached EUR 4,223,624. Over the period, the Fund's unit price increased by EUR 1.59 to EUR 12.18. The Fund's total return for the first half of 2016 was 15.01% in euro terms (+32.38% annualized) and 17.11% (+37.27% annualized) in terms of its base currency (USD).

During the reporting period the Fund's assets covered management costs amounting to USD 52,351, or 2.41% of net assets, which does not exceed the maximum amount of 4.00% set out in the Fund's prospectus.

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Uldis Upenieks  
Chairperson of the Board

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Andris Kotāns  
Member of Investment Committee

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Elchin Jafarov  
Member of Investment Committee

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Kristiāna Janvare  
Member of Investment Committee

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Igoris Lahtadirs  
Member of Investment Committee

Riga, 28 July 2016

**IF “CBL Russian Equity Fund”  
Half-year report 2016  
Statement of assets and liabilities  
(EUR)**

| Note |   | <u>30.06.2016.</u>      | <u>31.12.2015.</u>      |
|------|---|-------------------------|-------------------------|
|      | <b>Assets</b>                               |                         |                         |
| 1    | Due on demand from credit institutions      | 617,638                 | 236,208                 |
| 2    | Financial assets held for trading<br>Shares | <u>3,605,986</u>        | <u>3,537,951</u>        |
|      | <b>Total assets</b>                         | <u><b>4,223,624</b></u> | <u><b>3,774,159</b></u> |
|      | <b>Liabilities</b>                          |                         |                         |
|      | Accrued expenses                            | <u>(8,530)</u>          | <u>(8,312)</u>          |
|      | <b>Total liabilities</b>                    | <u><b>(8,530)</b></u>   | <u><b>(8,312)</b></u>   |
|      | <b>Net assets</b>                           | <u><b>4,215,094</b></u> | <u><b>3,765,847</b></u> |

The accompanying notes on pages 9 to 10 form an integral part of these financial statements.

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Uldis Upenieks  
Chairperson of the Board

Riga, 28 July 2016

**IF "CBL Russian Equity Fund"**  
**Half-year report 2016**  
**Statement of income and expense**  
**(EUR)**

|   | <u>01.01.2016.-<br/>30.06.2016.</u> | <u>01.01.2015.-<br/>30.06.2015.</u> |
|---|-------------------------------------|-------------------------------------|
| <b>Income</b>                                 |                                     |                                     |
| Interest income                               | 289                                 | 533                                 |
| Dividend income                               | 56,306                              | 74,047                              |
| Other income                                  | 243                                 | -                                   |
| <b>Total income</b>                           | <u><b>56,838</b></u>                | <u><b>74,580</b></u>                |
| <b>Expenses</b>                               |                                     |                                     |
| Remuneration to investment management company | (39,633)                            | (45,940)                            |
| Remuneration to custodian bank                | (3,379)                             | (3,850)                             |
| Other fund management expenses                | (4,173)                             | (4,636)                             |
| <b>Total expenses</b>                         | <u><b>(47,185)</b></u>              | <u><b>(54,426)</b></u>              |
| <b>Increase in investment value</b>           |                                     |                                     |
| Realized increase in investment value         | 116,509                             | 220,178                             |
| Unrealized increase in investments            | 441,989                             | 596,517                             |
| <b>Total increase in investments</b>          | <u><b>558,498</b></u>               | <u><b>816,695</b></u>               |
| Foreign currency revaluation gain             | -                                   | 346,739                             |
| <b>Increase in net assets from investment</b> | <u><u><b>568,151</b></u></u>        | <u><u><b>1,183,588</b></u></u>      |

The accompanying notes on pages 9 to 10 form an integral part of these financial statements.

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Uldis Upeniņš  
Chairperson of the Board

Riga, 28 July 2016

**IF “CBL Russian Equity Fund”  
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Statement of changes in net assets  
(EUR)**

|  | <b>01.01.2016.-<br/>30.06.2016.</b> | <b>01.01.2015.-<br/>30.06.2015.</b> |
|--|-------------------------------------|-------------------------------------|
| Net assets as at the beginning of the period                             | 3,765,847                           | 3,583,380                           |
| Increase in net assets from investment                                   | 568,151                             | 1,183,588                           |
| Transactions with investment certificates                                |                                     |                                     |
| <i>Inflow from sale of investment certificates</i>                       | 105,742                             | 119,081                             |
| <i>(Outflow) on redemption of investment certificates</i>                | <i>(224,646)</i>                    | <i>(437,808)</i>                    |
| Net decrease in assets from transactions with investment certificates    | <u>(118,904)</u>                    | <u>(318,727)</u>                    |
| Decrease in net assets for the period                                    | <u>449,247</u>                      | <u>864,861</u>                      |
| <b>Net assets as at the end of the period</b>                            | <b><u>4,215,094</u></b>             | <b><u>4,448,241</u></b>             |
| Issued investment certificates as at the beginning of the period         | <u>355,707</u>                      | <u>385,544</u>                      |
| Issued investment certificates as at the end of the period               | <u>345,957</u>                      | <u>361,284</u>                      |
| Net assets per investment certificate as at the beginning of the period  | <u>10.59</u>                        | <u>9.29</u>                         |
| <b>Net assets per investment certificate as at the end of the period</b> | <b><u>12.18</u></b>                 | <b><u>12.31</u></b>                 |

The accompanying notes on pages 9 to 10 form an integral part of these financial statements.

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Uldis Upenieks  
Chairperson of the Board

Riga, 28 July 2016



**IF “CBL Russian Equity Fund”**  
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**Notes**  
**(EUR)**

**1. Due on demand from credit institutions**

|   | 30.06.2016.    | 31.12.2015.    | % from net<br>assets as at<br>30.06.2016. |
|---|----------------|----------------|---|
| Due on demand from credit institutions                |                |                |   |
| AS Citadele banka                                     | 617,638        | 236,208        | 14.65 %                                   |
| <b>Total demand deposits with credit institutions</b> | <b>617,638</b> | <b>236,208</b> | <b>14.65 %</b>                            |

For cash on demand the Fund receives interest income that is calculated at fixed rates.

**2. Shares**

All commercial company shares are classified as held for trading securities. All shares owned by the Fund are traded on regulated markets.

The following table presents shares classified by the issuer's country of origin:

| Financial instrument                                     | ISIN code    | Currency | Amount    | Purchase<br>value<br>(EUR) | Carrying<br>value as at<br>30.06.2016<br>(EUR) | % from net<br>assets<br>30.06.2016. |
|--|--------------|----------|-----------|----------------------------|--|-------------------------------------|
| <b>Financial instruments traded in regulated markets</b> |              |          |           | <b>3,092,305</b>           | <b>3,605,986</b>                               | <b>85.55%</b>                       |
| <b>Shares of Russian issuers</b>                         |              |          |           | <b>3,015,462</b>           | <b>3,534,242</b>                               | <b>83.85%</b>                       |
| Lukoil   | US69343P1057 | USD      | 10,250    | 132,401                    | 384,998  | 9.13%                               |
| NOVATEK OAO  | US6698881090 | USD      | 3,660     | 334,538                    | 335,275  | 7.95%                               |
| X5 RETAIL GROUP NV-<br>REGS GDR                          | US98387E2054 | USD      | 13,600    | 218,704                    | 238,876  | 5.67%                               |
| Moscow Exchange<br>MICEX-RTS PJSC                        | RU000A0JR4A1 | RUB      | 145,000   | 133,413                    | 229,543  | 5.45%                               |
| PhosAgro OAO   | US71922G2093 | USD      | 14,863    | 149,763                    | 198,004  | 4.70%                               |
| MMC Norilsk Nickel PJSC                                  | US55315J1025 | USD      | 14,200    | 16,463                     | 168,323  | 3.99%                               |
| Surgutneftegas OAO                                       | RU0009029524 | RUB      | 310,000   | 93,769                     | 167,288  | 3.97%                               |
| Magnit PJSC  | US55953Q2021 | USD      | 5,600     | 211,894                    | 164,943  | 3.91%                               |
| E.ON Russia JSC  | RU000A0JNGA5 | RUB      | 3,866,603 | 124,075                    | 148,295  | 3.52%                               |
| Bashneft PAO   | RU0007976957 | RUB      | 3,500     | 81,859                     | 143,313  | 3.40%                               |
| Magnitogorsk Iron & Steel<br>Works OJSC                  | US5591892048 | USD      | 30,000    | 64,082                     | 129,841  | 3.08%                               |
| Sberbank of Russia                                       | US80585Y3080 | USD      | 16,000    | 76,641                     | 124,215  | 2.95%                               |
| Alrosa PAO   | RU0007252813 | RUB      | 126,500   | 121,202                    | 122,273  | 2.90%                               |
| MegaFon PJSC   | US58517T2096 | USD      | 12,800    | 256,984                    | 118,753  | 2.82%                               |
| Yandex NV  | NL0009805522 | USD      | 6,000     | 88,131                     | 116,033  | 2.75%                               |
| QIWI plc   | US74735M1080 | USD      | 8,400     | 84,907                     | 103,052  | 2.44%                               |
| Severstal PAO  | US8181503025 | USD      | 10,600    | 74,473                     | 101,398  | 2.41%                               |
| Novolipetsk Steel OJSC                                   | US67011E2046 | USD      | 8,000     | 95,442                     | 92,596   | 2.20%                               |
| Gazprom PAO  | US3682872078 | USD      | 23,800    | 102,145                    | 92,342   | 2.19%                               |
| Sistema JSFC   | US48122U2042 | USD      | 13,500    | 87,052                     | 91,200   | 2.16%                               |

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**Notes**  
**(EUR)**

| Financial instrument                 | ISIN code    | Currency | Amount | Purchase value (EUR) | Carrying value as at 30.06.2016. (EUR) | % from net assets 30.06.2016. |
|--------------------------------------|--------------|----------|--------|----------------------|--|-------------------------------|
| Lenta Ltd                            | US52634T2006 | USD      | 14,000 | 68,149               | 90,290                                 | 2.14%                         |
| Mail.Ru Group Ltd                    | US5603172082 | USD      | 5,000  | 163,751              | 81,742                                 | 1.94%                         |
| Globaltrans Investment PLC           | US37949E2046 | USD      | 13,616 | 126,343              | 47,954                                 | 1.14%                         |
| TMK PAO                              | US87260R2013 | USD      | 9,075  | 74,469               | 22,275                                 | 0.53%                         |
| Etalon Group Ltd                     | US29760G1031 | USD      | 9,786  | 34,812               | 21,420                                 | 0.51%                         |
| Volga Territorial Generating         | RU000A0HML36 | RUB      | 1      | 0                    | 0                                      | 0.00%                         |
| <b>Shares of Switzerland issuers</b> |              |          |        | <b>76,843</b>        | <b>71,744</b>                          | <b>1.70%</b>                  |
| Luxoft Holding Inc                   | VGG572791041 | USD      | 1,500  | 76,843               | 71,744                                 | 1.70%                         |
| <b>Total shares:</b>                 |              |          |        | <b>3,092,305</b>     | <b>3,605,986</b>                       | <b>85.55%</b>                 |

### 3. Dynamics of investment fund's performance

|  | 30.06.2016.      | 31.12.2015.      | 31.12.2014.      | 31.12.2013.       |
|--|------------------|------------------|------------------|-------------------|
| <b>Net assets (EUR)</b>                | <b>4,215,094</b> | <b>3,765,847</b> | <b>3,583,380</b> | <b>7,828,562</b>  |
| Number of investment certificates      | 345,957          | 355,707          | 385,544          | 476,487           |
| Investment fund share value (EUR)      | 12.18            | 10.59            | 9.29             | 16.43             |
| Profitability of the investment fund** | 32.38%           | 13.99%           | (43.46)%         | (3.13)%           |
| <b>Net assets (USD)*</b>               | <b>4,687,437</b> | <b>4,383,882</b> | <b>4,383,882</b> | <b>10,727,485</b> |
| Number of investment certificates      | 345,957          | 355,707          | 385,544          | 476,487           |
| Investment fund share value (USD)      | 13.55            | 11.57            | 11.37            | 22.51             |
| Profitability of the investment fund** | 37.27%           | 1.76%            | (49.49)%         | 0.27%             |

\*Net asset value in US dollars is determined using exchange rates that are determined in financial markets at the end of the day.

\*\* Profitability is calculated, assuming that there are 365 days in the year.